

## Article - Estates and Trusts

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§15–203.

(a) Except as provided in subsection (b) of this section, if any negotiable instrument payable or indorsed to a fiduciary is indorsed by the fiduciary, or if any negotiable instrument payable or indorsed to the fiduciary's principal is indorsed by a fiduciary empowered to indorse the instrument on behalf of the principal, the indorsee is not bound to inquire whether the fiduciary is committing a breach of the obligation as fiduciary in indorsing or delivering the instrument, and is not chargeable with notice that the fiduciary is committing a breach of the obligation as fiduciary unless the indorsee takes the instrument with actual knowledge of the breach or with knowledge of the facts that the action of the indorsee in taking the instrument amounts to bad faith.

(b) If an instrument is transferred by the fiduciary in payment of or as security for a personal debt of the fiduciary to the actual knowledge of the creditor, or is transferred in any transaction known by the transferee to be for the personal benefit of the fiduciary, the creditor or other transferee is liable to the principal if the fiduciary in fact commits a breach of the obligation as fiduciary in transferring the instrument.

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